

under tremendous pressure from a variety of sources to adopt standards that could cloud rather than clarify a company's health from the point of view of investors.

A few years ago a suggestion was made that Congress would legislate certain accounting practices that the FASB would have to sanction. I did not necessarily disagree with some who were raising the issue about various accounting procedures or practices. The idea that Congress would get in the business of legislating, by margins of 51-to-49 votes in this body, is a frightening prospect—that we would so politicize the Financial Accounting Standards Board. I can only thank those who may have agreed as I did, or at least partially agreed with some who made the suggestion, that we did not allow that to happen. Certainly FASB needs to remain independent and not subjected to the kind of political pressures suggested some time ago.

Our legislation also improves the independence and effectiveness of FASB by securing a steady funding source and encouraging greater timeliness of actions. One problem is they are very slow. They cannot keep up with what is going on in the real economy. FASB needs to act expeditiously in response to issues.

Lastly, our legislation improves the ability of the SEC to improve audit quality by doubling the size of the SEC accounting staff. Presently, the accounting staff is 20 to 25 people, the size of a congressional office, for oversight over all of the accounting firms and the audits that occur in the country. I am not suggesting just more personnel will necessarily solve the problem, but by increasing the size of that staff, and then having more random audits of the audits done, the prospect has its own obvious benefit to this potential problem. SEC accountants would help the agency do a better job of ensuring that audits meet the high standards of independence and objectivity that have been a hallmark of the American accounting profession.

In closing, I have spoken about the reforms with a number of knowledgeable people over the last several days, including those in the accounting profession. They have said privately these reforms go a long way to strengthening audits and the confidence of the American public. I look forward to working with Chairman SARBANES, who has already announced good hearings on the broader issue we are dealing with, and with the former SEC Commissioners, and has invited the chief accountants of the SEC to talk to our committee in a formal hearing setting. That will be tremendously helpful in examining what may be the best way to proceed. What we want to do after we lay down a bill is invite these people to respond before the committees conducting hearings on the subject matter.

I see my friend and colleague from New Jersey who brings a wealth of experience to this subject matter. In his

previous life he worked for many years in the financial services sector. He is recognized in this Chamber and elsewhere for the tremendous amount of knowledge he acquired over the years in this area. I am pleased to be joining with him in this piece of legislation.

Before I turn to my friend from New Jersey, my friend from Missouri is here. He is a knowledge builder as to this subject matter as well. As on most subjects, he has very strong feelings. I will not lure him into that at this particular moment because I want to hear his comments, if I may indulge my friend from New Jersey for a moment. Senator BOND and Senator MCCONNELL and I have worked, for almost a year, putting together an election reform bill. Senator MCCONNELL was here a few minutes ago talking about where things are and our willingness to come to the floor for our leadership, who asked us to do so. I again say publicly how much I appreciate the tremendous effort of my friend from Missouri. He is a great debater and tough negotiator, but when he gives his hand and shakes, it is a done deal.

I ask unanimous consent to yield to my friend from Missouri.

The PRESIDING OFFICER (Mr. NELSON of Florida). The time of the Senator from Connecticut has expired; he cannot yield. However, the Chair recognizes the Senator from Missouri.

ELECTION REFORM

Mr. BOND. Mr. President, I thank my colleague from Connecticut for attempting to be a floor manager, and I apologize to my colleague from New Jersey.

I make a brief statement joining with my good friend from Connecticut and my friend from Kentucky in commending to this body the election reform bill. It was not just hours but weeks, and perhaps months, we worked on this. His dedication to getting a good election reform bill through means we will have something good with which to work. There should be a lot of interest in this body because every single Member got here through the process of politics. This measure, that will be brought up, we hope very shortly, should ensure that everybody in America is treated fairly in the election process. And that has no greater champion than my friend from Connecticut.

As he indicated, I was interested in assuring that we prevent fraud. For those who may not have read it, I commend to them an article by George Will in the Washington Post today headlined, "A Long Election Day in Missouri." He outlines the case far better than I would on the floor. I just ask my colleagues to read it and see why part of the election reform proposal goes to combating fraud.

As Mr. Will points out, our Secretary of State, Matt Blunt, reviewed a small sample of ballots.

... among 1,384 ballots illegally cast [in St. Louis] were 62 by felons, 79 by people reg-

istered at vacant lots, 68 by people who voted twice and 14 [votes] cast in the name of dead people.

The only thing we missed out on in that go-around was in the past we have had dogs registered in St. Louis. As far as we could tell, no dogs voted in the last election.

I had an opportunity to address a leadership group in St. Louis—a very large group of people—during the recess. I told them the purpose of the Dodd-McConnell bill was to make sure that every American citizen, and, frankly, for Missourians, every Missouri citizen, who was a human adult American citizen entitled to vote had an opportunity to vote—once. I think everybody in St. Louis understands that. I think everybody around the country will.

We are going to have a very interesting discussion when we get onto this bill. We have spent a lot of time crafting it. I do not doubt that people will have new ideas they will bring to the floor. It should be a very interesting debate, but it is something that goes to the heart, the very heart of our form of government.

Everybody who is a U.S. citizen who is duly registered and entitled to vote in his or her State ought to have the opportunity to vote, but only to vote once. If we can pass this bill and combine it with the bill the House has passed, I hope we will see a much improved voting system in the United States for the 2002 election.

I thank my colleague from Connecticut. I look forward to working with him and I, again with my apologies to my friend from New Jersey, yield the floor. We look forward to getting on with it, to pursue the vitally needed election reform.

The PRESIDING OFFICER. The Senator from New Jersey.

ACCOUNTING REFORM

Mr. CORZINE. Mr. President, I very much appreciate the opportunity to work with Senator DODD on something that I think is vital to the American public, vital to the functioning of our financial markets and the health of the economy generally. Just as electoral reform is important, and I congratulate yourself and the Senator from Missouri and others who are leading us in that fight, I hope we can get the same kind of bipartisan focus on something that I think will make a difference to the functioning of our economy and our financial markets and the protection of investors that we are suggesting in the bill we are introducing today.

It is also unique on this side of the table to work with Senator DODD. I remember, as a former businessperson, testifying in Congress. Senator DODD always asked the toughest, meanest questions of folks with ideas they wanted to suggest. He was always spot-on with regard to their strengths and weaknesses. It is a great honor to work

with him in the effort to protect American investors by strengthening the regulation of our accounting profession.

The dramatic and sudden collapse of the Enron Corporation has shined a spotlight on the critical importance of auditors, the accounting function, in the operation of our economy. Enron's collapse has left thousands without a job and, maybe more important for many, without a chance for a meaningful retirement program that we worked so hard and long to provide.

It has been an economic disaster for pensioners, individual investors, and even institutional investors who relied upon the accounting statements, earnings statements, balance sheets, and analyses that flowed from that. Frankly, a lot of people think this came right out of the blue. A year ago this was the company with the seventh largest revenue in the country. Today it is bankrupt. It did catch people by surprise.

Now it appears that for years Enron engaged in a variety of questionable and certainly gray accounting practices—not the most transparent to the world—to hide debt and inflate its earnings so they would have the ability to position their stock at a higher value over time. We all took the hook. Yet Enron's auditors blessed these arrangements and raised no serious red flags for investors, even though they had some questions in their own minds. It is now obvious those individual auditors failed, and I think failed miserably, in making some judgments about what should have been published at the time.

Unfortunately, the failure of the auditors in the Enron case is not unique. We have seen several examples, highly public examples, of questionable accounting practices leading to serious problems in the statements of financial condition of companies across the country over the last few years. There has been a failure to blow the whistle when that should have occurred. In fact, we have seen a regular pattern that has developed of earnings restatements by some of the finest companies and corporations in America.

That in and of itself gives cause for concern, since people make judgments about what it is they are going to do in the investment world based on their interpretation of balance sheets and income statements that are presented at a given point in time. That is how they make future judgments. Clearly, some of those judgments in history were wrong because the restatement of earnings indicates there were differences in fact.

I think we need to be much more careful in this whole process. There is a whole series of detailed issues that I think need to be addressed—maybe not by Congress but in a much more fast-footed FASB, or Financial Accounting Standard Board, than we have had.

Based on my experience in the real world—or the financial world; I don't know whether that's the real world—I

can point to several possible explanations for these accounting failures. One is the serious increase in the complexity of these financial arrangements generally. The issue of derivatives and off-balance-sheet financing and the matter of notional amounts versus revenue standards—all of those things are very complicated in and of themselves. But there is an inadequacy, I believe, in our existing accounting structure to really scrutinize these and get to the nub of how they are reported on a timely basis.

Another problem is accounting firms increasingly are facing extreme pressures to find other sources of revenue, which often means generating new forms of revenue from the same businesses they audit. This, obviously, can create conflicts in reality and certainly in appearance. And I think they undermine the independence required of auditors as we go forward.

Another problem is that our regulatory structure, in my view, has been inadequate. It has relied far too heavily on self-regulation by the industry. That is a little bit like, what? Having the fox watch the hen house. Certainly I think it deals with an appearance issue that the public has a right to have us ventilate as we go through this debate. I think we need to do something about it.

Another problem is the integrity of the process for setting accounting standards. I talked about this before and whether that process has been compromised or certainly complicated by the nature of how that process takes place. In some cases, as I heard Senator DODD talk about, the fault may lie right here in this body, in the Congress. Certainly there is the appearance of political pressure getting wrapped up in how FASB, the Financial Accounting Standards Board, sets its rules.

These are true professionals who work very hard to try to get to setting down rules that will work in the accounting world. But these are complicated issues. And then sometimes people enter in from the political process and stop it, halt it, and we have not seen the kind of progress for the kind and nature of complexity that has developed in the financial world.

The bill Senator DODD and I are proposing is a significant first step towards addressing the problems I have outlined in the accounting profession. It includes tough new provisions to ensure the independence of auditors and restrict their ability to provide nonaudit services that inevitably create conflicts of interest. Whether that comes when you are working with the company or you separate it, I think we have some real reasons for debate on that. But I think we will work very hard to make sure people have confidence that we are auditors and we are working on functioning with a given company to present the data in a way that works a lot more like what the former SEC Chairman, Arthur Levitt, would suggest.

Also, our bill strengthens the Securities and Exchange Commission to put them in a better position to deal with the accounting industry on a real-time basis. I heard Senator DODD talk about 20 or 25 accountants for the largest economy in the history of the world. A 10-trillion-dollar account economy, and we have 25 accountants sitting over in a building across the street trying to figure out whether we are reporting accurately for all these companies. Just on the surface of it, it does not meet the standard of common sense.

We propose to double the size of the SEC's accounting staff. I think we need to seriously review what resources are necessary to deal with these problems so the public can have confidence with regard to what is going on in our accounting statements across the country.

In addition, the bill would help close the revolving door between auditors and their clients which also creates real conflicts of interest. We have set up rules in other parts of our economy for people who work in a particular area. An example is, if a person works in the Energy Department, they cannot go to work for an energy company an hour and a half after they leave their job.

I think it raises serious issues involving conflicts of interest when people go through a revolving door format going from being auditors to auditees. I think we need to look at those issues to make sure we have confidence that the chief financial officers, and others who have worked with the accounting firms, are truly being challenged independently by the accounting function. It is important.

As a former CEO, it was good to know that people could come in and say: You have these kinds of problems you need to check out. That is where the independent auditor performs an enormous service, aside from the financial statements. When that gets compromised because people are so close to one another, I think you run risks of setting up dangerous precedents on how decisions are taken within the audit function.

Finally, our bill would strengthen the independence of the Financial Accounting Standards Board—I have talked about this; so has Senator DODD—which sets the accounting standards. We would do this by establishing a steady funding source and demanding greater timeliness of action by the FASB. This is truly one of the issues that needs to be addressed.

We need to get on with a lot of the specific issues that have been addressed and have been tied up in knots for literally years and decades inside the Financial Accounting Standards Board. I think we can make a big difference in the functioning of our accounting system if we make sure we provide the resources to allow them to do their job appropriately.

I believe these proposals will go a long way toward strengthening the accounting profession and protecting the

integrity of the markets and protecting, ultimately, the investors and the retirees who are dependent on the information they derive from these accounting statements.

It is absolutely essential we have this debate, this discussion, and that we are intent on making sure we get to a secure system and that this not be a political issue. This is about making sure our financial markets work effectively.

I look forward to working with my senior colleague from Connecticut who has done such an outstanding job on a whole host of these issues. We are working to gain the public's trust. One way to do that is to make sure independent auditors are exactly that— independent.

I think we need to respond. I hope we can do that quickly. We need to do it thoughtfully because we do not want to cause more problems than we fix. It is one of those things where making sure it is done right is very important because we are tinkering with the fundamentals of our economy. But we need to have good accounting statements to make sure people can make decisions on their investments in a way that is sensible and true to the facts as they stand.

I appreciate very much this opportunity to work with Senator DODD.

Mr. DODD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. NELSON of Florida. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. REID). Without objection, it is so ordered.

Mr. NELSON of Florida. Mr. President, I ask unanimous consent to speak for up to 5 minutes.

The PRESIDING OFFICER. The Senator from Florida may proceed.

CONGRESSIONAL DELEGATION TO CENTRAL ASIA

Mr. NELSON of Florida. Mr. President, over the recess I had the privilege of going to the other side of planet Earth in the area of central Asia with 8 other of our colleagues. The delegation was led by the Senator from Connecticut, Mr. LIEBERMAN, and the Senator from Arizona, Mr. MCCAIN. In 7 days, we visited the heads of government of 6 nations. And what was a delightful surprise to our delegation was the fact that each one of the leaders of those countries wanted to express appreciation to the United States for us being involved in their countries to help rid them of terrorists.

They implored us, after this initial thrust of military success, not to turn on our heels and walk away. Indeed, if you look back in history, the United States made a mistake a little over a decade ago. We were involved, in the 1980s, in Afghanistan—albeit clandestine—as we were helping the Afghans

try to repel and expel the Soviet Union, which was trying to take over Afghanistan. And when the Soviet Union was whipped and tucked its tail between its legs and left, then the United States left also. That created a political vacuum—a vacuum that begs to be filled by political leaders, and that is the vacuum that was filled by the terrorists—ultimately, the very repressive Taliban regime.

So let's take a lesson from history and let's not repeat it. Let's listen to those leaders who said they don't necessarily want us to be there in the long run in a military situation, but they want our help in advising them technically, agriculturally, about communication, and indeed in Afghanistan about stabilizing the country, about setting up a national government, about setting up a national army so they can protect themselves from these outside forces and from these insidious forces that well up within, which was the terrorist organizations.

It was quite illuminating. We met with the Prime Minister of Turkey, the President of Uzbekistan, and the President of Turkmenistan.

We then flew into Bagram airfield with lights out in the middle of the night for security reasons. Those young pilots were using night vision equipment, and I am telling you, Mr. President, they greased that plane on to that runway with no runway lights, no airplane lights, and lights out on everything because of snipers, mortar, and rocket fire.

The descent was rapid, and the pilot did evasive maneuvers with the plane. The first instruction given to us before we stepped off the plane was: Do not dare step off the concrete tarmac because of the known and the unknown landmines.

The sergeant who escorted me through the darkness told me about his buddy who had his foot blown off just 2 days before traversing a footpath that the sergeant who escorted me had traversed many times before and had escaped the lethal explosion of a landmine that ultimately caught his buddy and caused the amputation of his foot.

We had the opportunity to meet with the interim Government of Afghanistan, with Chairman Hamid Karzai and his cabinet. What was very distinct—not only their enthusiasm, their absolute intent on making a success of a new kind of government that was not a repressive one—was the fact that, for the first time, the cabinet had a new minister: A minister of women's affairs, a prominent Afghan woman. As we met with that cabinet, they shared that message about being involved.

Chairman Karzai gave us an example of how for the long run he needed our help. He explained to us he was so appreciative of the humanitarian assistance and that it looked as if, for this winter, most of the starvation had been avoided but for the long run they needed agricultural assistance. They needed

the rains to come because without that, the farmers were not going to be able to grow crops in the spring, and they were going to return to growing poppies and, thus, in the drug trade and, thus, all the more ripe for exploitation by the terrorists we are trying to get rid of in that part of the world.

All of our Senators would be so proud of what we saw on the faces of those young men and women in the uniform of our country at Bagram airfield in the dead of night. They were absolutely resolute in being able to successfully fulfill their mission. They had tasted success. They knew their cause was just, and they were absolutely intent on seeing it through to a successful conclusion.

Whether we met young Americans in uniform in the neighboring countries, such as Uzbekistan to the north or Pakistan to the south, whether we met Americans in the diplomatic service or in the humanitarian component of our assistance, whether we met those young men and women in full-combat, cold-weather gear at the Bagram airfield right outside of Kabul, Afghanistan, or whether we met our marines at the airfield on the coast of Pakistan on the Arabian Sea, or whether we met our sailors and our pilots out on the aircraft carrier, the *Theodore Roosevelt*, off the Pakistani coast, they all had that conviction of expression on their faces: Absolutely intent on persevering and succeeding, knowing their cause is just.

We spent a good hour with the President of Pakistan. It has been said many times that President Musharraf, well before September 11, offered leadership by recognizing that he had a problem with terrorism in his own country. In early June, well before September 11, he had met with religious leaders and said: We are going to have to start dampening down the religious extremism. In his country, there are 3,000 of these madrasahs, which are religious extremist schools.

The President of Pakistan recognized he had a problem because where poverty exists and fathers and mothers cannot support their children, these children get shipped off to these religious schools where they provide the basic necessities for them but in the process train them in the ways of terrorism and extremism and teach them a doctrine that is not taught in the Koran.

The President of Pakistan saw well ahead of September 11 that he was going to have a problem. He started laying the groundwork so that when the awful events of September 11 came and he knew he was going to have to make a choice—was he going to fight with a coalition of nations led by the United States to rid that part of the world of terrorism, including the terrorists in his country, or was he going to stay with the longstanding policy where the Government of Pakistan had even recognized officially, diplomatically, the Taliban Government, and